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Report Highlights:

Government to finalize Food Bill on April 25, *India EU closer to Free Trade Agreement*, *CACP favors allowing 3-4 million tons of wheat exports*, *India's growth forecast for 2011 lowered by IMF to 8.2 percent*, *Haryana-Israel panel to boost agriculture*, *Leaders see growth threat from volatile commodities*, *U.S. farm giant ADM buys soybean plant in India*, *Quarantine issues raise concerns over oilmeal exports to Vietnam*, *Cargill India to enter animal feed business*, *China's pork demand may fire India's soy meal exports*, *Costa Coffee brews mass market plan*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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GOVERNMENT TO FINALIZE FOOD BILL ON APRIL 25

The Empowered Group of Ministers (EGoM) is likely to finalize the much awaited draft of the National Food Security Bill at a meeting on April 25 even as the issue related to number of poor households remains unresolved. The bill seeks to provide legal entitlement for cheap food grains to poor households, and there have been differences between the central government and state governments over the poverty estimates. The EGoM is working out a formula for sharing the subsidy, wherein the central government would bear the burden for 81 million poor households while the state governments will chip in for 29 million households. Currently the central government supplies 35 kg of food grain at subsidized rates to 65.2 million below-poverty-line families. The draft bill is also likely to propose cash transfers of subsidies to the below-poverty-line ration card holders instead of providing cheap food grains. (Source: Hindustan Times, 04/11/2011)

INDIA, EU CLOSER TO FREE TRADE AGREEMENT

India and the European Union hope to sort out the remaining issues on the proposed free trade agreement in their next round of discussions in May to be held in New Delhi. A successful meeting of the officials in Brussels last week has narrowed down the differences and raised the chances of the deal being finalized by July of this year. India and the EU are working out an ambitious free trade agreement that involves industrial and agricultural goods. The EU is also pushing India to bring down duties on wine and spirits from the present level of 150 percent, which is also the WTO bound rate. (Source: Economic Times, 04/13/2011)

CACP FAVORS ALLOWING 3-4 MILLION TONS OF WHEAT EXPORTS

With the government sitting on excess food grain stocks, Dr. Ashok Gulati, Chairman of the Commission for Agricultural Costs and Prices (CACP) suggested that India can export 3-4 million tons of wheat. The CACP has recommended to the government to allow export of food grain in a recent report. The government banned exports of wheat in early 2007 and non-basmati rice in April 2008. The global market is favorable for exports as domestic wheat prices are currently around $225 as against the CIF price of $ 360-380 per ton in many countries. Opening up exports can help increase the earnings of the farmers enabling them to recover increasing cost of production. (Source: Financial Express, 04/11/2011)

INDIA'S GROWTH FORECAST FOR 2011 LOWERED BY IMF TO 8.2 PERCENT

The International Monetary Fund (IMF) has lowered India's economic growth rate forecast to 8.2 percent for 2011 and warned that boom-like conditions could lead to over-heating of the economy. IMF in its World Economic Outlook report said that "the challenge for many emerging and some developing economies (is) to ensure that present boom-like conditions do not overheat over the coming year." It projected the Indian economy to grow at a moderate 7.8 percent in 2012 and cautioned that rising commodity prices and disruptions to oil supplies could pose new risks to economic recovery. (Source: Hindu, 04/13/2011)

HARYANA-ISRAEL PANEL TO BOOST AGRICULTURE

Haryana (the northern state of India) and Israel agreed to constitute working groups to strengthen agricultural cooperation. Haryana Chief Minister, Bhupinder Singh Hooda, held a meeting with the Minister of Agriculture and Rural Development of Israel Orit Noked. Hooda sought the latest Israeli technology on water conservation, water harvesting, drip and sprinkler irrigation and asked for extended co-operation for boosting agricultural and horticultural production in the state. The CM sought additional varieties of citrus; olives, pomegranate, mangos and grapes. The Centre of Excellence for Fruits would facilitate introduction of new varieties, help extend fruiting period, solve problems related to root stock, and enable the farmers to carve a niche for themselves in domestic and export markets. (Source: Financial Express, 04/14/2011) and (Hindu, 04/15/2011)

LEADERS SEE GROWTH THREAT FROM VOLATILE COMMODITIES

The leaders of Brazil, Russia, India, China and South Africa said excessively volatile commodity prices pose a threat to the global economy and called for greater regulation of derivatives markets. Volatility "poses new risks for the ongoing recovery of the world economy," the leaders said, according to a communiqué from their summit in the Chinese city of Sanya. Rising food and fuel prices are pressurizing importers such as China and India to hold down prices for their 2.6 billion people. Exporting countries such as Brazil, Russia and South Africa are benefiting from the trade, yet are concerned that over-reliance on resources will stifle diversification of their economies, leaving them vulnerable if demand drops. (Source: Economic Times, 04/15/2011)

US FARM GIANT ADM BUYS SOYBEAN PLANT IN INDIA

U.S. agro giant ADM is believed to have acquired a 1,000-ton per day soybean crushing plant near Nagpur from Madhur Agro Proteins. It would mark the foray of the world's largest ethanol and biodiesel producer into India as an individual company. ADM's reported acquisition in India is viewed as the US-based company's desire to ramp up its presence in a country, which is a major edible oils consumer. "Unlike Cargill, which has been present in India for some time now and has its own brands like Gemini, Nature Fresh and Rath here, ADM has been a late starter and the purchase of the plant is reflective of its growing interest in India and Asia,". (Source: Economic Times, 04/13/2011)

QUARANTINE ISSUES RAISE CONCERNS OVER OILMEAL EXPORTS TO VIETNAM

Following the decision of Vietnamese importers to quarantine two container-loads of oilmeal from India, apex trade body Solvent Extractors' Association of India has advised its 850 members to change the booking strategy from the existing cost-insurance-and-freight (CIF) to the free-on-board (FOB) basis. The advice was a welcome move as Indian oilmeal exporters were facing stiff quarantine regulations in Vietnam, resulting in losses. There was no export to Vietnam during January and February. Although exports have since resumed, traders are cautious from both sides.

Authorities in Vietnam had quarantined two shiploads of oilmeal from India after very high levels of methyl bromide – a fumigant used for pest control – was found in the commodity about two months back. After keeping the shipment on hold for two months, Vietnam rejected it and Indian exporters were forced to sell the commodity at a discount to Vietnamese traders. The current global industry norm allows up to 30 gram per square meter of methyl bromide for 72 hours which Indian oilmeal exporters are maintaining. "Including demurrages for over a month, Indian exporters lost nearly US $0.5 million in two shipments." (Source: Business Standard, 04/12/2011)

CARGILL INDIA TO ENTER ANIMAL FEED BUSINESS

Cargill India, the Indian arm of the global conglomerate is planning to enter the animal feed industry. India offers tremendous growth opportunities for feed manufacturers as it is blessed with the world's largest cattle, buffalo and goat population. The Indian animal feed industry is broadly categorized into poultry, cattle and aquafeed. Though quite old, it is still in a nascent stage, supplying 10 percent of cattle and aquafeed and 50 percent of poultry feed in India, according to a Rabobank report. The animal feed industry is evolving from being a fragmented sector to an organized one. It is increasingly using modern sophisticated methods to incorporate the best global practices. (Source: Business Standard, 04/12/2011)

CHINA'S PORK DEMAND MAY FIRE INDIA'S SOY MEAL EXPORTS

China's fast growing pig population is likely to fuel India's soy meal exports in the coming years. China is the world's largest biggest producer of pork and imports soybean mostly from the US. Beans are then crushed and soy meal is used as animal feed. With its increasing pig population, China's demand for soybean is increasing on a year on year basis. But the soybeans imported from the US are projected to fall short of the demand. The Solvent Extractors Association of India has identified China as major market, saying that growing Chinese demand presents an opportunity for Indian soy meal exporters to increase their market share in the global soy meal feed trade. India's soy meal market share stands at 4.8 percent of the global market. (Source: Hindustan Times, 04/14/2011)

COSTA COFFEE BREWS MASS MARKET PLAN

Costa Coffee has achieved an operating profit at the enterprise level just five years after debuting in India. Mr. Santosh Unni, CEO, says that "Costa Coffee wants to become a mass market player. The plan is to aggressively open new channels and establish a presence in airports and multiplexes, among others. Our endeavor is to maximize consumer touch points and penetrate deep." The coffee chain is also opening bigger stores with an increased average size of 1300 square feet, as compared to 1000 sq ft earlier to accommodate more customer footfall. (Source: Business Standard, 04/15/2011)

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